

**City of Mount Pleasant**

**Independent Auditor's Report  
Management's Discussion and Analysis  
Financial Statements and Supplementary Information  
Independent Auditor's Report on Internal Control and Compliance  
Schedule of Findings and Questioned Costs**

**June 30, 2008**

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## City of Mount Pleasant

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Freeland	Mayor	December 31, 2009
Mike McKim	Council Member	December 31, 2011
Steve Engberg	Council Member	December 31, 2011
Matthew Crull	Council Member	December 31, 2011
Joe Beames	Council Member	December 31, 2009
Stan Curtis	Council Member	December 31, 2009
Bob Griffith	Council Member	December 31, 2009
 Brent Schleisman	 City Administrator	 Not Elected
 Florence Olomon	 City Clerk/Treasurer	 Not Elected
 Tammy Detrick	 Deputy Clerk	 Not Elected
 Terry Sammons	 Chief of Police	 Not Elected
 Stewart Kinney	 Fire Chief	 Not Elected



214 North Fourth Street PO Box 547 Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

## **Independent Auditor's Report**

Honorable Mayor and Members of City Council  
City of Mount Pleasant, Iowa  
Mount Pleasant, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mount Pleasant, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Mount Pleasant's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Mount Pleasant, Iowa, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which U. S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Mount Pleasant, Iowa, as of June 30, 2008, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mount Pleasant as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated October 6, 2008 on our consideration of the City of Mount Pleasant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 and budgetary comparison information on pages 24 and 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Mount Pleasant's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CPA Associates PC*

October 6, 2008

## **City of Mount Pleasant Management's Discussion and Analysis**

The City of Mount Pleasant (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities decreased 49.16%, or approximately \$6,616,500, from fiscal 2007 to fiscal 2008. Prior year's revenues include grants and general obligation bond proceeds for street, park and public safety improvements.
- Disbursements increased 3.34%, or approximately \$231,200 in fiscal 2008 from fiscal 2007. Capital projects increased due to the airport hanger and fuel facility capital projects.
- The City's total cash basis net assets (governmental activities) decreased 3.18%, or approximately \$311,800, from June 30, 2007 to June 30, 2008.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government wide statement by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Mount Pleasant Municipal Utilities is a component unit of the City of Mount Pleasant. The City Council appoints the Board of Trustees of the Mount Pleasant Utilities. However, since Mount Pleasant Municipal Utilities operates under the accrual method of accounting and the City of Mount Pleasant operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of the Municipal Utilities are available at the utilities office, 509 N. Adams Street, Mount Pleasant, Iowa.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sewer and solid waste system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for the sewer and solid waste funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$9.79 million to \$9.48 million. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year Ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for services	\$ 287	\$ 296
Operating grants, contributions and restricted interest	876	1,251
Capital grants, contributions and restricted interest	585	1,783
General receipts:		
Property tax	1,719	1,678
Local option sales tax	769	680
Tax increment financing	509	358
Debt service	947	920
Unrestricted interest on investments	450	258
Bond proceeds	-	5,342
Other general receipts	702	894
Total receipts	<u>6,844</u>	<u>13,460</u>
Disbursements:		
Public safety	1,092	1,684
Public works	762	454
Culture and recreation	1,112	1,088
Community and economic development	295	493
General government	616	602
Debt service	1,534	1,206
Capital projects	1,745	1,397
Total disbursements	<u>7,156</u>	<u>6,924</u>
Change in cash basis net assets before transfers	(312)	6,536
Transfers	<u>-</u>	<u>35</u>
Change in cash basis net assets	(312)	6,571
Cash basis net assets beginning of year	<u>9,796</u>	<u>3,225</u>
Cash basis net assets end of year	<u>\$ 9,484</u>	<u>\$ 9,796</u>

The City's total receipts for governmental activities, including bond proceeds, decreased by 49.16%, or \$6,616,000. The total cost of all programs and services increased by approximately \$232,000 or 3.34%, with no new programs added this year.



The cost of all governmental activities this year was \$7.16 million compared to \$6.92 million last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only \$5.40 million because some of the cost was paid by those directly benefited from the programs (\$287,200) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,461,400). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5,407,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	Year Ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,834	\$ 2,400
Solid waste	325	316
General receipts:		
Unrestricted interest on investments	69	56
Bond proceeds	-	-
Other general receipts	<u>9</u>	<u>5</u>
Total receipts	<u>2,237</u>	<u>2,777</u>
Disbursements:		
Sewer	2,228	1,517
Solid waste	<u>333</u>	<u>284</u>
Total disbursements	<u>2,561</u>	<u>1,801</u>
Change in cash basis net assets before transfers	(324)	976
Transfers, net	<u>-</u>	<u>(35)</u>
Change in cash basis net assets	(324)	941
Cash basis net assets beginning of year	<u>2,104</u>	<u>1,163</u>
Cash basis net assets end of year	\$ <u>1,780</u>	\$ <u>2,104</u>

Total business type activities receipts for the fiscal year were \$2.24 million compared to \$2.77million last year. This decrease was due primarily to the decrease of sewer receipts. The cash balance decreased by approximately \$324,500 from the prior year primarily because of the decrease of sewer receipts and increase in sewer disbursements. A sewer surcharge was collected in 2007 of \$802,600 and approximately \$732,200 of the surcharge was refunded to the customer in 2008.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

### Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,352,400, an increase of \$134,500 from the prior year. The increase is largely due to the increase in property taxes received and decrease in public safety disbursements.

- The Road Use Tax Fund cash balance decreased by \$174,200 to \$688,900 during the fiscal year. South Jefferson Street improvement project was paid for by the Road Use Tax fund this fiscal year.
- The Local Option Sales Tax decreased by \$141,200 to \$447,000 at year end. Transfers were made from sales tax to Capital Projects Fund and combined with grant funds for the construction of new streets to enhance commercial development in the northeast part of town.
- The Capital Projects cash balance decreased by \$218,500 to \$6,467,000 at year end, due to the beginning of construction of numerous streets included in our five year capital improvement plan.

#### Proprietary Funds

The cash balance of the Enterprise Funds decreased by approximately \$324,500 to \$1,780,000. Most of this decrease is due to the refunding of an industrial sewer overstrength surcharge.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget. The amendment was approved on May 28, 2008 and resulted in an increase in revenues of approximately \$1,042,200 and an increase in disbursements of approximately \$3,381,500. Revenue increases included intergovernmental, charges for services, other city taxes, use of money and property and miscellaneous. Expenditures increases included public safety, public works, culture and recreation, debt service, capital projects and business type activities.

The construction of a new street (Harvest Drive) and adjacent bike path opens up several residential building lots and will improve traffic flow near the site of the annual Midwest Old Threshers Reunion. Also, the construction of a new street (Bell Drive) and adjacent bike path will open up 42 residential building lots and improve traffic flow in the southeast part of town near the high school.

### **DEBT ADMINISTRATION**

At June 30, 2008, the City had approximately \$22,255,000 in bonds and other long-term debt, compared to approximately \$23,693,000 last year, as shown below.

	Outstanding Debt at Year End (Expressed in Thousands)		June 30,	
			2008	2007
General obligation bonds			\$ 10,725	\$ 11,720
Revenue bonds			9,855	10,298
Urban renewal tax increment financing			<u>1,675</u>	<u>1,675</u>
Total			<u>\$ 22,255</u>	<u>\$ 23,693</u>

The City continues to carry a general obligation bond rating of A3, assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt and urban renewal tax increment financing revenue bonds of \$10.72 million is below its constitutional debt limit of approximately \$18 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2009 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 4.8 percent compared to 4.6 in June 2007. The City's cash balance is in good shape. Small increases were implemented in the Solid Waste fees and the Sewer Collection fee that will assist us in keeping pace with government mandated services. An increase in the Cemetery fees will help us pay increased maintenance cost due partially to the fact that we no longer have access to local prison inmate labor.

The City is currently concentrating on street improvements that will spur development and increase our tax base. A new street was constructed and an adjacent street extended that will open up commercial lots along Highway 218. We also constructed two new streets that will open up 42 plus residential building lots.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the City Clerk, City of Mount Pleasant, 220 W. Monroe St, Mount Pleasant, Iowa 52641.

## **FINANCIAL STATEMENTS**

**City of Mount Pleasant**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the Year Ended June 30, 2008**

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business- Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 1,091,768	\$ 30,219	\$ 54,240	\$ -	\$ (1,007,309)	\$ -	\$ (1,007,309)
Public works	761,693	-	749,722	-	(11,971)	-	(11,971)
Culture and recreation	1,112,108	209,761	-	269,655	(632,692)	-	(632,692)
Community and economic development	294,961	-	-	-	(294,961)	-	(294,961)
General government	615,915	47,216	-	-	(568,699)	-	(568,699)
Debt service	1,534,138	-	-	-	(1,534,138)	-	(1,534,138)
Capital projects	1,745,042	-	72,185	315,601	(1,357,256)	-	(1,357,256)
Total government activities	<u>7,155,625</u>	<u>287,196</u>	<u>876,147</u>	<u>585,256</u>	<u>(5,407,026)</u>	<u>-</u>	<u>(5,407,026)</u>
Business type activities:							
Sewer	2,228,453	1,833,812	-	-	-	(394,641)	(394,641)
Solid waste	333,065	324,735	-	-	-	(8,330)	(8,330)
Total business type activities	<u>2,561,518</u>	<u>2,158,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(402,971)</u>	<u>(402,971)</u>
Total	<u>\$ 9,717,143</u>	<u>\$ 2,445,743</u>	<u>\$ 876,147</u>	<u>\$ 585,256</u>	<u>(5,407,026)</u>	<u>(402,971)</u>	<u>(5,809,997)</u>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					1,719,052	-	1,719,052
Tax increment financing					508,792	-	508,792
Debt service					947,412	-	947,412
Local option sales tax					768,991	-	768,991
Other city taxes					197,405	-	197,405
Unrestricted investment earnings					449,683	69,332	519,015
Transfers					-	-	-
Miscellaneous					<u>503,928</u>	<u>9,136</u>	<u>513,064</u>
Total general receipts and transfers					<u>5,095,263</u>	<u>78,468</u>	<u>5,173,731</u>
Change in cash basis net assets					(311,763)	(324,503)	(636,266)
Cash basis net assets, beginning of year					<u>9,795,828</u>	<u>2,104,090</u>	<u>11,899,918</u>
Cash basis net assets, end of year					<u>\$ 9,484,065</u>	<u>\$ 1,779,587</u>	<u>\$ 11,263,652</u>
<b>Cash Basis Net Assets</b>							
Restricted:							
Streets					\$ 688,915	\$ -	\$ 688,915
Sales tax					446,957	-	446,957
Debt service					283,596	-	283,596
Other purposes					252,889	1,397,382	1,650,271
Unrestricted					<u>7,811,708</u>	<u>382,205</u>	<u>8,193,913</u>
Total cash basis net assets					<u>\$ 9,484,065</u>	<u>\$ 1,779,587</u>	<u>\$ 11,263,652</u>

See notes to financial statements.

**City of Mount Pleasant**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2008**

	Special Revenue						Other Nonmajor	
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects	Governmental	Total
Receipts:								
Property tax	\$ 1,719,052	\$ -	\$ -	\$ -	\$ 947,412	\$ -	\$ -	\$ 2,666,464
Tax increment financing collections	-	-	-	508,792	-	-	-	508,792
Other taxes	197,405	-	768,991	-	-	-	-	966,396
Use of money and property	243,247	-	24,975	6,036	-	336,666	1,992	612,916
License and permits	37,470	-	-	-	-	-	-	37,470
Intergovernmental	63,986	749,722	-	-	-	387,786	74,533	1,276,027
Charges for services	209,009	-	-	-	-	-	8,252	217,261
Special assessments	4,421	-	-	-	-	-	-	4,421
Miscellaneous	223,218	-	-	-	-	219,311	111,586	554,115
Total receipts	<u>2,697,808</u>	<u>749,722</u>	<u>793,966</u>	<u>514,828</u>	<u>947,412</u>	<u>943,763</u>	<u>196,363</u>	<u>6,843,862</u>
Disbursements:								
Operating:								
Public safety	1,091,768	-	-	-	-	-	-	1,091,768
Public works	20,197	741,496	-	-	-	-	-	761,693
Culture and recreation	795,611	-	-	-	-	-	316,497	1,112,108
Community and economic development	148,021	-	-	35,471	-	-	111,469	294,961
General government	433,481	182,434	-	-	-	-	-	615,915
Debt service	-	-	-	-	1,534,138	-	-	1,534,138
Capital projects	-	-	-	-	-	1,745,042	-	1,745,042
Total disbursements	<u>2,489,078</u>	<u>923,930</u>	<u>-</u>	<u>35,471</u>	<u>1,534,138</u>	<u>1,745,042</u>	<u>427,966</u>	<u>7,155,625</u>
Excess (deficiency) of receipts over disbursements	208,730	(174,208)	793,966	479,357	(586,726)	(801,279)	(231,603)	(311,763)
Other financing sources (uses):								
Operating transfers in (out)	(74,262)	-	(935,186)	(371,114)	581,114	582,815	216,633	-
Total other financing sources (uses)	<u>(74,262)</u>	<u>-</u>	<u>(935,186)</u>	<u>(371,114)</u>	<u>581,114</u>	<u>582,815</u>	<u>216,633</u>	<u>-</u>
Net change in cash balances	134,468	(174,208)	(141,220)	108,243	(5,612)	(218,464)	(14,970)	(311,763)
Cash balances, beginning of year	<u>1,217,905</u>	<u>863,123</u>	<u>588,177</u>	<u>7,842</u>	<u>173,123</u>	<u>6,685,414</u>	<u>260,244</u>	<u>9,795,828</u>
Cash balances, end of year	<u>\$ 1,352,373</u>	<u>\$ 688,915</u>	<u>\$ 446,957</u>	<u>\$ 116,085</u>	<u>\$ 167,511</u>	<u>\$ 6,466,950</u>	<u>\$ 245,274</u>	<u>\$ 9,484,065</u>
<b>Cash Basis Fund Balances</b>								
Reserved:								
Debt service	\$ -	\$ -	\$ -	\$ 116,085	\$ 167,511	\$ -	\$ -	\$ 283,596
Unreserved:								
General fund	1,352,373	-	-	-	-	-	-	1,352,373
Special revenue fund	-	688,915	446,957	-	-	-	245,274	1,381,146
Capital projects fund	-	-	-	-	-	6,466,950	-	6,466,950
<b>Total cash basis fund balances</b>	<u>\$ 1,352,373</u>	<u>\$ 688,915</u>	<u>\$ 446,957</u>	<u>\$ 116,085</u>	<u>\$ 167,511</u>	<u>\$ 6,466,950</u>	<u>\$ 245,274</u>	<u>\$ 9,484,065</u>

See notes to financial statements.

**City of Mount Pleasant**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the Year Ended June 30, 2008**

	Enterprise Funds				
	<u>Sewer Revenue</u>	<u>Sewer Plant Improvement</u>	<u>Sewer Sinking Fund</u>	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:					
Charges for services	\$ 1,833,812	\$ -	\$ -	\$ 324,735	\$ 2,158,547
Total operating receipts	<u>1,833,812</u>	<u>-</u>	<u>-</u>	<u>324,735</u>	<u>2,158,547</u>
Operating disbursements:					
Business type activities	<u>1,411,040</u>	<u>-</u>	<u>-</u>	<u>333,065</u>	<u>1,744,105</u>
Total operating disbursements	<u>1,411,040</u>	<u>-</u>	<u>-</u>	<u>333,065</u>	<u>1,744,105</u>
Excess (deficiency) of receipts over disbursements	<u>422,772</u>	<u>-</u>	<u>-</u>	<u>(8,330)</u>	<u>414,442</u>
Non-operating receipts (disbursements):					
Interest on investments	65,152	-	-	4,180	69,332
Miscellaneous	8,494	-	-	642	9,136
Debt service	<u>-</u>	<u>-</u>	<u>(817,413)</u>	<u>-</u>	<u>(817,413)</u>
Net non-operating receipts (disbursements)	<u>73,646</u>	<u>-</u>	<u>(817,413)</u>	<u>4,822</u>	<u>(738,945)</u>
Operating transfers in (out)	<u>(477,002)</u>	<u>(380,500)</u>	<u>857,502</u>	<u>-</u>	<u>-</u>
Net change in cash balances	19,416	(380,500)	40,089	(3,508)	(324,503)
Cash balances, beginning of year	<u>39,007</u>	<u>1,777,882</u>	<u>62,697</u>	<u>224,504</u>	<u>2,104,090</u>
Cash balances, end of year	<u>\$ 58,423</u>	<u>\$ 1,397,382</u>	<u>\$ 102,786</u>	<u>\$ 220,996</u>	<u>\$ 1,779,587</u>
<b>Cash Basis Fund Balances</b>					
Reserved for equipment replacement	\$ -	\$ 1,397,382	\$ -	\$ -	\$ 1,397,382
Unreserved	<u>58,423</u>	<u>-</u>	<u>102,786</u>	<u>220,996</u>	<u>382,205</u>
<b>Total cash basis fund balances</b>	<u>\$ 58,423</u>	<u>\$ 1,397,382</u>	<u>\$ 102,786</u>	<u>\$ 220,996</u>	<u>\$ 1,779,587</u>

See notes to financial statements.

**City of Mount Pleasant**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The City of Mount Pleasant is a political subdivision of the State of Iowa located in Henry County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development and general government services. The City also provides solid waste and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Mount Pleasant has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Excluded Component Unit

Mount Pleasant Municipal Utilities is a component unit of the City of Mount Pleasant. The City Council appoints the Board of Trustees of the Mount Pleasant Utilities. However, since Mount Pleasant Municipal Utilities operates under the accrual method of accounting and the City of Mount Pleasant operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements.

The financial statements of the Municipal Utilities are available at the utilities office, 509 North Adams Street, Mount Pleasant, Iowa.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Mount Pleasant Area Development Commission, Henry County Conference Board, Henry County 911 Board, Southeast Iowa Regional Planning Commission, Henry County Emergency Management Commission, Henry County Street & Road Classification Board and Des Moines County Regional Solid Waste Commission.



**City of Mount Pleasant**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

**City of Mount Pleasant**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

Special Revenue (continued):

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection system.

The Sewer Funds account for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Measurement Focus and Basis of Accounting

The City of Mount Pleasant maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public works function.

The budget adopted includes the City and the Mount Pleasant Municipal Utilities (component unit). However, for purposes of these financial statements, only the portion applicable to the City is included.

**City of Mount Pleasant**  
**Notes to Financial Statements**

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**Note 2. Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$102,495, \$103,831, and \$99,535, respectively, equal to the required contributions for each year.

International City Management Association (ICMA)

The Iowa Public Employees Retirement System regulations allows City Administrators to exempt themselves from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Administrator which allows a contribution up to 25% of salary with a maximum of \$12,000. For the years ended June 30, 2008, 2007, and 2006, these contributions totaled \$5,361, \$4,205, and \$4,064, respectively.

**Note 3. Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing bonds, and sewer revenue bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Urban Renewal Tax Increment Financing Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,005,000	\$ 425,281	\$ -	\$ 67,095
2010	5,990,000	386,598	-	67,095
2011	715,000	148,213	100,000	67,095
2012	305,000	122,162	100,000	63,496
2013	315,000	110,237	100,000	59,896
2014-2018	1,370,000	363,303	590,000	242,920
2019-2023	<u>1,025,000</u>	<u>119,710</u>	<u>785,000</u>	<u>101,876</u>
	<u>\$ 10,725,000</u>	<u>\$ 1,675,504</u>	<u>\$ 1,675,000</u>	<u>\$ 669,473</u>

**City of Mount Pleasant**  
**Notes to Financial Statements**

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**Note 3. Bonds and Notes Payable (continued)**

Year Ending <u>June 30,</u>	<u>Sewer Revenue Bond</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 457,000	\$ 356,818	\$ 1,462,000	\$ 849,194
2010	471,000	338,688	6,461,000	792,381
2011	485,000	319,814	1,300,000	535,122
2012	500,000	300,394	905,000	486,052
2013	516,000	280,325	931,000	450,458
2014-2018	2,812,000	1,076,522	4,772,000	1,682,745
2019-2023	3,201,000	511,677	5,011,000	733,263
2024-2027	<u>1,413,000</u>	<u>63,900</u>	<u>1,413,000</u>	<u>63,900</u>
	<u>\$ 9,855,000</u>	<u>\$ 3,248,138</u>	<u>\$ 22,255,000</u>	<u>\$ 5,593,115</u>

The urban renewal tax increment financing bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The notes and bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not general obligations of the City, however the debt is subject to the constitutional debt limitation of the City.

The City issued urban renewal tax increment revenue bonds for a total amount of \$1,675,000. Among the requirements of these issues is the City maintain a reserve fund equal to the lesser of the maximum annual amount of the principal and interest coming due on the bonds or 10 percent of the stated principal amount of the bonds. On June 30, 2008, the City had a balance of \$167,500 in the reserve fund.

The resolutions providing the issuance of the sewer revenue bond include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

**City of Mount Pleasant**  
**Notes to Financial Statements**

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**Note 4. Cash and Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the City or the agent of the City in the City's name.

**Note 5. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2008, primarily relating to the General Fund, is \$148,100.

City employees accumulate sick leave up to a maximum of 90 days. If not used, this sick leave is otherwise lost except upon retirement when an employee may convert up to 30 days of unused sick leave to separation pay. The maximum liability to the City at June 30, 2008 was \$444,900.

Police Department employees accumulate holiday time. There was no maximum liability for accumulated holiday time at June 30, 2008.

The above liabilities have been computed based on rates of pay as of June 30, 2008.

**City of Mount Pleasant**  
**Notes to Financial Statements**

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**Note 6. Risk Management**

The City of Mount Pleasant is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administration expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City of Mount Pleasant's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Mount Pleasant's annual contribution to the Pool for the year ended June 30, 2008 was approximately \$152,800.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability for risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each accident, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

**City of Mount Pleasant  
Notes to Financial Statements**

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**Note 6. Risk Management (continued)**

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Mount Pleasant also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation and various types of liability insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 7. Related Party Transactions**

The City has business transactions between the City and City officials totaling \$85 during the year ended June 30, 2008. The Mount Pleasant Municipal Utility Company pays the City on an annual basis for use of the facilities. This amounted to \$100,000 for the year ended June 30, 2008 and is included as revenue in the general fund.

**Note 8. Commitments**

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City at June 30, 2008 are as follows:

Street construction	\$ 1,931,184
Airport fuel facility	<u>35,571</u>
	<u>\$ 1,966,755</u>

**City of Mount Pleasant**  
**Notes to Financial Statements**

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**Note 9. Conduit Debt Obligations**

The City has, in the past, assisted in several issues of industrial revenue bonds, issued for the purposes of constructing privately-owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can only look to these sources for repayment. The following are the original outstanding issues in which the City assisted:

<u>Company</u>	<u>Type</u>	<u>Year Issued</u>	<u>Amount Issued</u>
Metromail, Series A	Revenue	1980	\$ 500,000
Metromail, Series B	Revenue	1980	4,000,000
Vega Industries	Revenue	1981	2,865,000
Vega Industries	Revenue	1981	5,000,000
Twin City Corp/Makay Envelope	Revenue	1982	300,000
Twin City Corp/Makay Envelope	Revenue	1982	200,000
Heatilator	Revenue	1982	3,700,000
Pioneer	Revenue	1983	1,000,000
City Carton	Revenue	1984	350,000
Wal-Mart	Revenue	1984	10,000,000
Lomont Molding, Inc.	Revenue	1985	1,400,000

The City assumes many of these issues have been repaid, but has been unable to determine actual amounts still remaining at June 30, 2008.

The City has issued \$2,000,000 of Private College Taxable Refunding Bonds and \$2,200,000 of Private College Non-taxable Refunding Bonds pursuant to the provisions of Chapter 419 of the Code of Iowa. Bonds and interest thereon are payable solely out of revenues derived from the financing of the Iowa Wesleyan College project and shall never constitute an indebtedness to the City.

**Note 10. Deficit Fund Balance**

The HUD Rehab Grant Fund, a nonmajor governmental fund, had a deficit balance of \$9,641 at June 30, 2008. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of annual HUD reimbursements.



**City of Mount Pleasant**  
**Notes to Financial Statements**

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**Note 11. Donated Electricity and Water**

The City is not billed for electricity and water usage or service and materials provided by the Mount Pleasant Municipal Utilities. The meters of the City are read monthly and the resulting amount computed at normal rates is considered to be a donation from the Mount Pleasant Municipal Utilities. During the year ended June 30, 2008, services donated by the Mount Pleasant Municipal Utilities to the City totaled approximately \$184,100 and \$12,100 for the electric and water funds, respectively.

**Note 12. Public Safety Agreement**

The City has an agreement with Henry County where the County provides dispatching services for the City of Mount Pleasant. The City pays \$10,000 per year and the contract is cancelable by either party. The agreement amount shall be adjusted every three years thereafter by averaging the number of calls for the preceding three years and adjusting the hourly rate to the current hourly compensation rate of the Henry County communications dispatcher.

**Note 13. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to:	
Library operations	\$ 240,582
Sewer capital projects	857,502
Capital projects	582,815
Debt service	<u>581,114</u>
	<u>\$ 2,262,013</u>
Transfer from:	
General fund	\$ 98,211
Sewer revenue and improvements	857,502
Local option	935,186
TIF funds	<u>371,114</u>
	<u>\$ 2,262,013</u>

**Note 14. Community Betterment Foundation**

The City has established a non-endowed donor-advised fund through an agreement with The Greater Cedar Rapids Community Foundation to receive property for public charitable, scientific, literary and educational purposes. The donor retains the privilege of making recommendations to the Foundation's Board of Directors as to charitable distributions of principal from the fund in accordance with specific provisions. At June 30, 2008, this fund has a fair market value of \$41,072.

**City of Mount Pleasant  
Notes to Financial Statements**

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**Note 15. Prospective Accounting Change**

The Government Accounting Standards Board (GASB) has issued several statements not yet implemented by the City of Mount Pleasant. The statements, which might impact the City of Mount Pleasant, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City for the fiscal year ending June 30, 2009. This Statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This Statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City for the fiscal year ending June 30, 2010. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities or assets, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the City for the fiscal year ending June 30, 2009. This Statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Mount Pleasant**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2008**

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Total</u>	<u>Budgeted Amounts</u>		Final to Total Variance
					<u>Original</u>	<u>Final</u>	
<b>Receipts:</b>							
Property tax	\$ 2,666,464	\$ -	\$ -	\$ 2,666,464	\$ 2,631,908	\$ 2,631,908	\$ 34,556
Tax increment financing collections	508,792	-	-	508,792	505,000	505,000	3,792
Other city taxes	966,396	-	-	966,396	788,399	958,947	7,449
Use of money and property	612,916	69,332	1,992	680,256	274,400	433,618	246,638
Licenses and permits	37,470	-	-	37,470	35,800	42,650	(5,180)
Intergovernmental	1,276,027	-	-	1,276,027	1,544,240	1,846,637	(570,610)
Charges for service	217,261	2,158,547	-	2,375,808	1,961,200	2,248,194	127,614
Special assessments	4,421	-	-	4,421	5,000	4,420	1
Miscellaneous	<u>554,115</u>	<u>9,136</u>	<u>60,106</u>	<u>503,145</u>	<u>358,815</u>	<u>475,569</u>	<u>27,576</u>
Total receipts	<u>6,843,862</u>	<u>2,237,015</u>	<u>62,098</u>	<u>9,018,779</u>	<u>8,104,762</u>	<u>9,146,943</u>	<u>(128,164)</u>
<b>Disbursements:</b>							
Public safety	1,091,768	-	-	1,091,768	1,138,812	1,149,842	58,074
Public works	761,693	-	-	761,693	483,784	599,130	(162,563)
Culture and recreation	1,112,108	-	31,860	1,080,248	1,052,879	1,197,708	117,460
Community and economic development	294,961	-	-	294,961	1,009,513	759,557	464,596
General government	615,915	-	-	615,915	678,018	657,280	41,365
Debt service	1,534,138	-	-	1,534,138	1,334,588	1,534,588	450
Capital projects	1,745,042	-	-	1,745,042	975,000	3,555,794	1,810,752
Business type activities	<u>-</u>	<u>2,561,518</u>	<u>-</u>	<u>2,561,518</u>	<u>2,017,335</u>	<u>2,617,578</u>	<u>56,060</u>
Total disbursements	<u>7,155,625</u>	<u>2,561,518</u>	<u>31,860</u>	<u>9,685,283</u>	<u>8,689,929</u>	<u>12,071,477</u>	<u>2,386,194</u>
Excess (deficiency) of receipts over disbursements	(311,763)	(324,503)	30,238	(666,504)	(585,167)	(2,924,534)	(2,258,030)
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,030</u>	<u>56,030</u>
Net change in cash balances	(311,763)	(324,503)	30,238	(666,504)	(585,167)	(2,868,504)	(2,202,000)
Cash balances, beginning of year	<u>9,795,828</u>	<u>2,104,090</u>	<u>154,432</u>	<u>11,745,486</u>	<u>8,932,328</u>	<u>8,932,328</u>	<u>(2,813,158)</u>
Cash balances, end of year	<u>\$ 9,484,065</u>	<u>\$ 1,779,587</u>	<u>\$ 184,670</u>	<u>\$ 11,078,982</u>	<u>\$ 8,347,161</u>	<u>\$ 6,063,824</u>	<u>\$ (5,015,158)</u>

See accompanying independent auditor's report.

**City of Mount Pleasant**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**June 30, 2008**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, Internal Service, non-expendable trust, and agency funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$3,381,548. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public works function.

## **OTHER SUPPLEMENTARY INFORMATION**

**City of Mount Pleasant**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2008**

	<u>Library Operations</u>	<u>HUD Special Purpose Grant</u>	<u>HUD Rehab Grant</u>	<u>Library Bequests</u>	<u>Old Forest Cemetery</u>	<u>Other Programs</u>	<u>Total</u>
Receipts:							
Use of money and property	\$ -	\$ -	\$ -	\$ 260	\$ -	\$ 1,732	\$ 1,992
Charges for services	8,252	-	-	-	-	-	8,252
Miscellaneous	6,140	-	45,340	31,584	6,520	22,002	111,586
Intergovernmental	24,189	50,344	-	-	-	-	74,533
Total receipts	<u>38,581</u>	<u>50,344</u>	<u>45,340</u>	<u>31,844</u>	<u>6,520</u>	<u>23,734</u>	<u>196,363</u>
Disbursements:							
Culture and recreation	284,637	-	-	31,860	-	-	316,497
Community and economic development	-	50,111	61,358	-	-	-	111,469
Total disbursements	<u>284,637</u>	<u>50,111</u>	<u>61,358</u>	<u>31,860</u>	<u>-</u>	<u>-</u>	<u>427,966</u>
Excess (deficiency) of receipts over disbursements	<u>(246,056)</u>	<u>233</u>	<u>(16,018)</u>	<u>(16)</u>	<u>6,520</u>	<u>23,734</u>	<u>(231,603)</u>
Other financing sources (uses):							
Operating transfers in	240,582	-	-	-	-	-	240,582
Operating transfers (out)	(1,949)	-	-	-	-	(22,000)	(23,949)
Total other	<u>238,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,000)</u>	<u>216,633</u>
Net change in cash balances	(7,423)	233	(16,018)	(16)	6,520	1,734	(14,970)
Cash balances, beginning of year	<u>9,449</u>	<u>(233)</u>	<u>6,377</u>	<u>48,789</u>	<u>111,663</u>	<u>84,199</u>	<u>260,244</u>
Cash balances, end of year	<u>\$ 2,026</u>	<u>\$ -</u>	<u>\$ (9,641)</u>	<u>\$ 48,773</u>	<u>\$ 118,183</u>	<u>\$ 85,933</u>	<u>\$ 245,274</u>

See accompanying independent auditor's report.

**City of Mount Pleasant  
Statement of Indebtedness  
Year Ended June 30, 2008**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
<b>General obligation bonds:</b>								
General purpose	06/09/00	3.69-4.450%	\$ 3,535,000	\$ 400,000	\$ -	\$ 100,000	\$ 300,000	\$ 17,350
General purpose, Series 2002A	03/01/02	4.00-4.125%	2,000,000	1,600,000	-	550,000	1,050,000	65,875
General purpose, Series 2003A	06/02/03	3.50-4.300%	3,000,000	2,600,000	-	110,000	2,490,000	99,150
General purpose, Series 2003B	06/02/03	3.70-5.000%	925,000	925,000	-	95,000	830,000	40,860
General purpose, Series 2004A	05/12/04	2.40-4.250%	1,265,000	845,000	-	140,000	705,000	28,008
General purpose, Series 2006	10/01/06	3.30%	350,000	350,000	-	-	350,000	19,250
General purpose, Series 2007	06/01/07	4.00%	5,000,000	5,000,000	-	-	5,000,000	200,000
				<u>11,720,000</u>	<u>-</u>	<u>995,000</u>	<u>10,725,000</u>	<u>470,493</u>
<b>Revenue bonds:</b>								
Sewer Revenue Refunding Bonds Series 2005	11/29/05	3.00%	5,110,000	4,975,000	-	93,000	4,882,000	149,250
				<u>4,975,000</u>	<u>-</u>	<u>93,000</u>	<u>4,882,000</u>	<u>149,250</u>
<b>Urban renewal TIF revenue bonds:</b>								
Sewer, Series 2003C	06/01/03	3.50-4.50%	1,675,000	1,675,000	-	-	1,675,000	67,095
				<u>1,675,000</u>	<u>-</u>	<u>-</u>	<u>1,675,000</u>	<u>67,095</u>
<b>Iowa State Revolving Fund Loans:</b>								
Sewer	04/01/98	4.23%	7,135,830	4,961,000	-	326,000	4,635,000	209,850
Sewer	04/01/98	4.23%	521,170	362,000	-	24,000	338,000	15,313
				<u>5,323,000</u>	<u>-</u>	<u>350,000</u>	<u>4,973,000</u>	<u>225,163</u>
<b>Total</b>				<b>\$ 23,693,000</b>	<b>\$ -</b>	<b>\$ 1,438,000</b>	<b>\$ 22,255,000</b>	<b>\$ 912,001</b>

See accompanying independent auditor's report.



**City of Mount Pleasant  
Bond Maturities  
June 30, 2008**

Year Ending June 30,	<u>General Obligation Bonds</u> <u>General Purpose</u> <u>Issued June 9, 2000</u>		<u>General Obligation Bond</u> <u>Series 2002A</u> <u>Issued March 1, 2002</u>		<u>General Obligation Bonds</u> <u>Series 2003A</u> <u>Issued June 2, 2003</u>		<u>General Obligation Bonds</u> <u>Series 2003B</u> <u>Issued June 2, 2003</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2009	4.35%	\$ 100,000	4.125%	\$ 550,000	3.50%	\$ 115,000	3.70%	\$ 100,000
2010	4.45%	100,000	4.100%	500,000	3.50%	125,000	4.00%	105,000
2011	4.45%	100,000	-	-	3.50%	130,000	4.25%	110,000
2012	-	-	-	-	3.50%	135,000	4.50%	120,000
2013	-	-	-	-	3.50%	140,000	4.80%	125,000
2014	-	-	-	-	3.50%	150,000	4.90%	130,000
2015	-	-	-	-	3.60%	155,000	5.00%	140,000
2016	-	-	-	-	3.70%	165,000	-	-
2017	-	-	-	-	3.80%	170,000	-	-
2018	-	-	-	-	3.90%	180,000	-	-
2019	-	-	-	-	4.00%	185,000	-	-
2020	-	-	-	-	4.00%	195,000	-	-
2021	-	-	-	-	4.10%	205,000	-	-
2022	-	-	-	-	4.20%	215,000	-	-
2023	-	-	-	-	4.30%	225,000	-	-
		<u>\$ 300,000</u>		<u>\$ 1,050,000</u>		<u>\$ 2,490,000</u>		<u>\$ 830,000</u>

  

Year Ending June 30,	<u>General Obligation Bonds</u> <u>Refunding Series 2004A</u> <u>Issued May 12, 2004</u>		<u>General Obligation Bonds</u> <u>Series 2006</u> <u>Issued October 1, 2006</u>		<u>General Obligation Bonds</u> <u>Series 2007</u> <u>Issued June 1, 2007</u>		Total General Obligation Bonds
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2009	2.80%	\$ 140,000	3.30%	\$ -	4.00%	\$ -	\$ 1,005,000
2010	3.00%	140,000	3.30%	20,000	4.00%	5,000,000	5,990,000
2011	3.30%	45,000	3.30%	330,000	-	-	715,000
2012	3.60%	50,000	-	-	-	-	305,000
2013	3.70%	50,000	-	-	-	-	315,000
2014	3.85%	50,000	-	-	-	-	330,000
2015	4.00%	55,000	-	-	-	-	350,000
2016	4.05%	55,000	-	-	-	-	220,000
2017	4.15%	60,000	-	-	-	-	230,000
2018	4.25%	60,000	-	-	-	-	240,000
2019	-	-	-	-	-	-	185,000
2020	-	-	-	-	-	-	195,000
2021	-	-	-	-	-	-	205,000
2022	-	-	-	-	-	-	215,000
2023	-	-	-	-	-	-	225,000
		<u>\$ 705,000</u>		<u>\$ 350,000</u>		<u>\$ 5,000,000</u>	<u>\$ 10,725,000</u>

See accompanying independent auditor's report.

**City of Mount Pleasant  
Bond Maturities  
June 30, 2008**

Year Ending June 30,	<u>Sewer Revenue Refunding</u> <u>Series 98-B&amp;02-C</u> <u>Issued November 29, 2005</u>		<u>Sewer Revenue Bond</u> <u>State Revolving Funds</u> <u>Entered Into April 1, 1998</u>		Total Sewer	<u>Urban Renewal Tax Increment</u> <u>Sewer Revenue, Series 2003C</u> <u>Issued June 1, 2003</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Amount</u>
2009	3.00%	\$ 92,000	4.23%	\$ 365,000	\$ 457,000	3.50%	\$ -
2010	3.00%	91,000	4.23%	380,000	471,000	3.50%	-
2011	3.00%	89,000	4.23%	396,000	485,000	3.50%	100,000
2012	3.00%	88,000	4.23%	412,000	500,000	3.50%	100,000
2013	3.00%	86,000	4.23%	430,000	516,000	3.50%	100,000
2014	3.00%	83,000	4.23%	448,000	531,000	3.50%	100,000
2015	3.00%	79,000	4.23%	467,000	546,000	3.60%	100,000
2016	3.00%	74,000	4.23%	487,000	561,000	3.70%	100,000
2017	3.00%	70,000	4.23%	508,000	578,000	3.80%	140,000
2018	3.00%	67,000	4.23%	529,000	596,000	3.90%	150,000
2019	3.00%	63,000	4.23%	551,000	614,000	4.00%	155,000
2020	3.00%	618,000	-	-	618,000	4.00%	160,000
2021	3.00%	637,000	-	-	637,000	4.10%	170,000
2022	3.00%	656,000	-	-	656,000	4.20%	150,000
2023	3.00%	676,000	-	-	676,000	4.30%	150,000
2024	3.00%	696,000	-	-	696,000	-	-
2025	3.00%	717,000	-	-	717,000	-	-
		<u>\$ 4,882,000</u>		<u>\$ 4,973,000</u>	<u>\$ 9,855,000</u>		<u>\$ 1,675,000</u>

See accompanying independent auditor's report.

**City of Mount Pleasant**  
**Schedule of Receipts By Source and Disbursements By Function -**  
**All Governmental Funds**

	Years Ended June 30,					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:						
Property tax	\$ 2,666,464	\$ 2,598,300	\$ 2,743,478	\$ 2,684,045	\$ 2,664,877	\$ 2,233,835
Tax increment financing collections	508,792	357,760	211,403	293,711	365,003	327,854
Other city taxes	966,396	873,980	930,027	894,428	837,250	699,009
Use of money and property	612,916	411,378	265,513	193,164	186,122	182,448
Licenses and permits	37,470	69,816	38,000	40,557	73,681	34,144
Intergovernmental	1,276,027	2,135,387	1,446,231	2,075,264	1,382,920	1,891,849
Charges for services	217,261	182,362	214,298	294,525	319,066	309,353
Special assessments	4,421	5,937	6,307	11,874	18,156	13,901
Miscellaneous	<u>554,115</u>	<u>1,483,597</u>	<u>828,290</u>	<u>1,874,589</u>	<u>973,201</u>	<u>235,571</u>
Total	<u>\$ 6,843,862</u>	<u>\$ 8,118,517</u>	<u>\$ 6,683,547</u>	<u>\$ 8,362,157</u>	<u>\$ 6,820,276</u>	<u>\$ 5,927,964</u>
Disbursements:						
Operating:						
Public safety	\$ 1,091,768	\$ 1,684,159	\$ 1,148,526	\$ 979,955	\$ 1,028,699	\$ 936,670
Public works	761,693	454,133	676,375	559,937	535,225	548,659
Health and social services	-	-	-	-	3,000	6,000
Culture and recreation	1,112,108	1,088,018	1,015,235	1,034,104	1,003,641	932,266
Community and economic development	294,961	493,463	199,371	159,254	178,258	225,513
General government	615,915	602,292	583,228	564,557	561,336	556,393
Debt service	1,534,138	1,205,693	1,432,832	1,789,598	3,109,457	1,565,410
Capital projects	<u>1,745,042</u>	<u>1,396,665</u>	<u>1,757,334</u>	<u>4,891,719</u>	<u>4,330,866</u>	<u>2,284,249</u>
Total	<u>\$ 7,155,625</u>	<u>\$ 6,924,423</u>	<u>\$ 6,812,901</u>	<u>\$ 9,979,124</u>	<u>\$ 10,750,482</u>	<u>\$ 7,055,160</u>

See accompanying independent auditor's report.



214 North Fourth Street PO Box 547 Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

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**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Mount Pleasant, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 6, 2008. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Mount Pleasant's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Mount Pleasant's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Mount Pleasant's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Mount Pleasant's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Mount Pleasant's financial statements that is more than inconsequential will not be prevented or detected by City of Mount Pleasant's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Mount Pleasant's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 and I-B-08 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Mount Pleasant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Mount Pleasant's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Mount Pleasant's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Mount Pleasant and other parties to whom City of Mount Pleasant may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Mount Pleasant during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*CPA Associates PC*

October 6, 2008

**City of Mount Pleasant**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

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**Part I: Findings Related to the Financial Statements**

**MATERIAL WEAKNESSES**

I-A-08 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with generally accepted accounting principles, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of Mount Pleasant. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

I-B-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

**Instances of Non-Compliance:**

No matters were reported.

**City of Mount Pleasant  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008**

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**Part II: Other Findings Related to Statutory Reporting**

II-A-08 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.

II-B-08 Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Unknown accident victim	Donation	\$ 100.00
Bernard Eaves	Food	33.80
Dave's Foods	Food	213.25
Karen Wright	Christmas dinner	600.00
Ruby Cake Co.	Christmas cake	48.00
Jeff Beavers	Popcorn	67.00
Breadeaux	Food	56.00

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-C-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceed the amounts budgeted in the public works function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

The City published a notice of public hearing on the budget including a summary of the proposed budget as required by Chapter 384.16 of the Code of Iowa.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-D-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**City of Mount Pleasant**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

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II-E-08     Business Transactions - Business transactions between City and City officials are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions</u>	<u>Amount</u>
Stewart Kinney, Fire Chief, wife is owner of Cherished Memories	Jacket	\$ 85

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction does not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year.

II-F-08     Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-08     Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-08     Bonds and Revenue Notes - The City has no revenue notes at June 30, 2008.

II-I-08     Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-J-08     Financial Condition - The HUD Rehab Grant Fund had a deficit balance at June 30, 2008 of \$9,641.

Recommendation - We understand that project costs incurred prior to receipt of HUD reimbursements created the deficit in this account. However, the City should monitor the progress of the HUD receipts and disbursements and review the control procedures throughout the collection period.

Response - We will monitor and review.

Conclusion - Response accepted.

II-K-08     Separately Maintained Records - The City of Mount Pleasant Volunteer Fire Department maintains separate checking and savings accounts. These accounts are separate from the City's accounts allowing transactions to go unrecorded. Accordingly, certain donations and expenditures from this account are not being appropriately included on the City's financial statements. The expenditures may not meet the requirements of public purpose and may not be appropriately included within the budget as required by the Code of Iowa.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response - We will meet with the Volunteer Fire Department and establish appropriate procedures.

Conclusion - Response accepted.